

Five steps to make ESRS fit-for-purpose

The GDV welcomes EFRAG's ambitions to establish uniform European Sustainability Reporting Standards (ESRS) to enhance the availability and quality of sustainability information. This approach is crucial for insurance undertakings as investors and insurers to leverage their key role in the sustainable transition. The GDV has responded in detail to EFRAG's first set of draft ESRS. In this paper, we address our high-level recommendations on how to make the ESRS fit-for-purpose.

Prioritise critical disclosure requirements

Generally, insurance undertakings need a sound database for better and more sustainable finance decision-making. The ESRS can provide such a database with high-quality data if EFRAG prioritises the implementation of crucial and matured ESRS disclosure requirements.

In our view, this would include climate and the information needs of financial market participants subject to the Sustainable Finance Disclosure Regulation (SFDR). With the SFDR, the first set of core ESRS would already address all three ESG dimensions.

Furthermore, such prioritisation can also help undertakings to better prepare for the high number of disclosure requirements, i. e. 137 disclosure requirements only on sector-agnostic standards. Especially those undertakings that disclose sustainability information for the first time could benefit.

Reassess the set of sector-agnostic standards

Some disclosure requirements do not seem to be material for all sectors and, hence, are not suitable for the sector-agnostic application. For example, ESRS E5, which is about resource use and circular economy, is unlikely material (at least not in their entirety) for financial undertakings from a sector-agnostic perspective.

We propose reassessing whether the ESRS, currently foreseen as sector-agnostic standards, are truly relevant for all sectors. If they are not, the ESRS concerned should be rededicated to sector-specific standards. As per the CSRD, only truly sector-agnostic requirements should be included in the first set of ESRS.

Focus on relevant and material activities and impacts

It is not appropriate to presume materiality for all the proposed disclosure requirements (rebuttable presumption). This could lead to a situation where the effort to justify non-disclosure is higher than the effort to disclose.

The ESRS must allow entity-specific materiality assessments as a key proportionality mechanism. The results of the materiality assessment could be published in an easily understandable format, e.g. as a materiality matrix. There should be no further need to justify the outcome of the materiality assessment in detail as the auditor has approved it.

Define the value chain for the financial sector in a pragmatic way

The proposed definition of the value chain is very broad and can be very extensive for the financial sector. As insurance undertakings are managing millions of assets and insurance contracts, more clarity is needed on how to report on their value chain. In any case, a general look-through to all investees, policyholders and clients would create significant challenges related to data availability. We propose to restrict reporting on the value chain first to a scope that is useful to obtain disclosure and relevant to understanding how ESG considerations feed into the investment or underwriting decision-making and engagement process with investees or policyholders.

Enhance the dialogue with the ISSB

German insurers support the ISSB's ambition to create a global baseline for sustainability reporting. However, considering the draft standards of EFRAG and the ISSB, key concepts have significant discrepancies. In further developing the EFRAG and ISSB standards, close dialogue between EFRAG and the ISSB is crucial to achieving a reasonable level of alignment and at least full compatibility and interoperability of the reporting standards to avoid double reporting burden for EU preparers. In our view, this can only be achieved if compliance with the ESRS will mean automatic compliance with the relevant ISSB standards.